Proposed Regulation
September 1, 2006

114.1 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY

114.1 CMR 42:00: HOSPITAL FINANCIAL REPORTS

Section

42.01: General Provisions

(1) Scope and Purpose. 114.1 CMR 42.00 governs the financial reporting requirements for acute and non-acute hospitals, including annual cost reports, charge books and quarterly filing requirements. The Division collects hospital financial data to, among other things, establish MassHealth and Uncompensated Care Pool payment rates and to monitor the financial condition of hospitals. Filing requirements for acute hospital case mix and charge data, are governed by 114.1 CMR 17.00. Filing requirements for acute hospital uncompensated care pool claims are governed by 114.6 CMR 11.00 and 114.6 CMR 12.00.

(2) Authority. 114.1 CMR 42.00 is adopted pursuant to M.G.L. 118G.

(3) Effective Date. 114.1 CMR 42.00 is effective on November 15, 2006.

42.02: Definitions

Meaning of Terms. As used in 114.1 CMR 42.00, unless the context requires otherwise, the following terms shall have the following meanings. All defined terms in 114.1 CMR 42.00 are capitalized.

Acute Hospital. A hospital licensed under M.G.L. c. 111, § 51 which contains a majority of medical-surgical, pediatric, obstetric, and maternity beds, as defined by the Department of Public Health.

Annual Cost Report. The Hospital Statement of Costs, Revenues, and Statistics (DHCFP-403).

Audited Financial Statements. Financial Statements of an entity that are subject to an independent audit in accordance with Generally Accepted Auditing Standard (GAAS). The independent auditor issues a report that expresses an opinion whether or not the accompanying financial statements are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP).

Charge. The uniform price for each specific service within a revenue center of a hospital.

Division. The Division of Health Care Finance and Policy (DHCFP) of the Executive Office of Health and Human Services, created pursuant to M.G.L. c.118G.

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Hospital Licensed Health Center. A satellite clinic that (1) meets MassHealth requirements for payment as a hospital licensed health center as set forth in 130 CMR 410.413; and (2) is approved by and enrolled with MassHealth's Provider Enrollment Unit as a hospital licensed health center.

Hospital Uniform Reporting Manual (HURM). The Manual incorporated into 114.1 CMR 42.09 that sets forth the Division's requirements for uniform reporting of income, expenses and statistics on a functional basis. Such functional reporting permits comparisons among hospitals with varied organizational structures.

MassHealth. The Medical Assistance Program administered by the Executive Office of Health and Human Services, Office of Medicaid, to furnish and pay for medical services pursuant to M.G.L. c. 118E and Title XIX and XXI of the Social Security Act.

Non-Acute Hospital. A hospital which is defined and licensed under M.G.L. c. 111, § 51, with less than a majority of medical-surgical, pediatric, maternity and obstetric beds, or any psychiatric facility licensed under M.G.L. c. 19, §29, or any public health care facility.

SPAD Payment. The Standard Payment Amount per Discharge paid by Medicaid to acute hospitals for covered inpatient services.

42.03 General Reporting Requirements

(1) Required Reports. Each acute and non-acute hospital shall file with the Division, for each fiscal year, the following documents.

(a) Annual Cost Report (DCHFP-403). Each acute hospital shall file an Annual Cost Report by February 1 of each year, for the period from October 1 through September 30. Each non-acute hospital shall file an Annual Cost Report within 120 days after the end of its fiscal year. Each hospital's Annual Cost Report shall be completed in accordance with the Cost Report Instructions, the HURM Manual, and any pertinent administrative bulletins issued by the Division. Each hospital shall file one electronic copy and two paper copies.

(b) Certified Financial Statements. Each hospital shall file two copies of its audited financial statements within 100 days after the end of its fiscal year. Each hospital with a parent company must also file copies of consolidated financial statements at the level of the ultimate parent organization. Consolidated or combined financial statements may not be substituted for audited financial statements of the subsidiary hospital. If an independent audit occurs only at the consolidated level, the subsidiary hospital must file internal financial statements. These financial statements must be accompanied by a signed statement by the parent organization's chief financial officer attesting that the information contained in the report fairly represents, in all material respects, the financial condition and result of operations of the subsidiary hospital, and that the statements are a fair representation of the endowments, reserves, cash flows and general viability of the subsidiary hospital.

(c) Medicare Cost Report. Each hospital shall file one paper copy of its Medicare 2552 Cost Report within 120 days after the end of its fiscal year.

(d) Charge Books. Each hospital shall file with the Division one electronic copy of its charge book at the beginning of each fiscal year and within 30 days following each

quarter in which charges are changed. Such charge book shall contain the charges in effect on the last day of said quarter. Each charge book shall be accompanied by a statement from the hospital detailing charge modifications implemented after the last filing.

(e) Hospital Licensed Health Centers. Each hospital with one or more Hospital Licensed Health Centers shall file a separate Hospital Licensed Health Center Cost Report for each center within 120 days after the end of its fiscal year. The Hospital Licensed Health Center Cost Report must be completed in accordance with the Cost Report instructions and any pertinent administrative bulletins issued by the Division. Each hospital shall file one electronic version and one paper copy of the Hospital Licensed Health Center Cost Report.

(2) Each hospital shall make available all books and records relating to its operations for the audit period, as requested by the Division. Each hospital shall submit all cost information requested by the Division, including information the Division determines is necessary to document reported costs, monitor the hospital's financial condition, or calculate Medicaid or Uncompensated Care Pool payments.

(3) Each hospital's chief executive officer or chief financial officer shall certify under pains and penalties of perjury that all reports, schedules, reporting forms, budget information, books and records filed with the Division are true, correct and accurate.

(4) Each hospital shall submit documentation requested by the Division within 15 business days from the date of the request, unless a different time is specified. The Division may, for cause, extend the filing date of the requested information, in response to a written request for an extension of time.

(5) All financial data submitted to the Division in required reports must be in accordance with current Generally Accepted Accounting Principles (GAAP) as issued by the Financial Accounting Standards Board (FASB), or other appropriate accounting standards given the organization's governance such as the Government Accounting Standards Board (GASB) as well as general industry practice, as evidenced in the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guides of Healthcare Organizations and Not-for-Profit Organizations.

42.04 Acute Hospital Financial Reports

(1) General Requirements. Each acute hospital shall file Financial Reports to report financial data, information on changes in services, and utilization data as required by the Division. Each hospital shall submit the required Financial Reports via the Division's website in accordance with the Division's forms, instructions or administrative bulletins. .

(a) Financial Data. The financial data shall include, but not be limited to, a balance sheet, a statement of operations, and a cash flow statement. At the option of the hospital, footnotes related to any portion of the financial statements may be included. The statement of operations and the cash flow statement shall reflect cumulative year-to-date data for the most recent fiscal year that ended on or prior to the filing deadline. The Financial Reports shall make an accurate representation of the hospital's financial condition including endowments, reserves, and cash flow. The Division may request additional information regarding the fiscal condition of the hospital, if necessary.

(b) Additional Information/Comment. The hospital may choose to disclose information to explain or clarify the data presented or provide users with information that might not be evident by the financial statements alone.

(2) Quarterly Reports. Each acute hospital shall file a Quarterly Report for the first three quarters of the fiscal year within 45 days after the end of each quarter. In the Quarterly Report, hospitals shall report cumulative year-to-date financial information ending with the most recently completed fiscal quarter. The Quarterly Reports shall also include information on changes in services, and utilization statistics. The Division shall require the hospital to include monthly statistics on beds, days and discharges. The utilization statistics will reflect only activity during the time period covered by the Report and will not be cumulative. A hospital may request an opportunity to make adjustments to a filed Quarterly Report within 20 days after the filing deadline. Such request must include an explanation of the proposed changes. The Division may post on its website the name of any hospital that fails to meet the filing deadline or fails to file required data. The Division will note on the website if it has approved a hospital's request for an extension of the filing date.

(3) Annual Financial Report. Each hospital shall file an Annual Financial Report within 100 days of the end of its fiscal year. This Report will contain cumulative 12-month financial data ending with the fourth quarter. Each hospital must report all audit adjustments that were either self-initiated or initiated by the independent auditors as reflected in the audited financial statements for that fiscal year. For subsidiary hospitals with no hospital-only audited financial statements, the Annual Financial Report must reflect all adjustments made to the internal financial statements attested to by the chief financial officer pursuant to 114.1 CMR 42.01(b). If the data in the Annual Financial Report differs from the hospital's audited financial statements, the hospital must file text reconciliations via the Division's website. Hospitals must report any subsequent changes to its audited financial statements. If there is an audit adjustment that occurs more than 100 days after then end of the fiscal year, such audit adjustment may not affect the hospital's MassHealth or Uncompensated Care Pool payment calculations. Each hospital must also report information on changes in services, and utilization statistics for the fourth quarter of the fiscal year, including monthly statistics on beds, days and discharges. The utilization statistics will reflect only activity during the fourth quarter of the fiscal year and will not be cumulative.

(4) Review Period. The Financial Reports will be under review for a period of 20 days following the filing date. The Financial Reports will be available for public release electronically or otherwise following this review period. During the review period, the Division may share information with the Attorney General's Office, the Department of Public Health, and other similar oversight organizations and agencies, provided that any such entity with which the information is share shall agree to treat it on the same confidential basis as does the Division pursuant to this regulation.

42.05 Audit by Division

(1) General. All information provided by, or required from, any hospital pursuant to 114.1 CMR 42.00 shall be subject to audit by the Division.

(2) Processing of Audit Adjustments.

(a) Notification. After audit, the Division shall notify a hospital of its proposed audit adjustments. The notification shall be in writing and shall contain a complete listing of all proposed adjustments.

(b) Objection Process.

1. A hospital may file a written objection to a proposed audit adjustment within 15 business days of the mailing of the notification letter.
2. The written objection must, at a minimum, specify:
    a. each adjustment to which the hospital objects,
    b. the specific reason for each objection; and
    c. all documentation which supports the hospital's position.
3. Upon review of the hospital's objections, the Division shall notify the hospital of its determination in writing. If the Division disagrees with the hospital's objections, in whole or in part, the Division shall provide the hospital with an explanation of its reasoning.
4. The hospital may request a conference on objections after receiving the Division's explanation of reasons. The Division will schedule such conference on objections if it determines that further articulation of the hospital's position would promote resolution of the disputed adjustments. If a resolution is still not reached, the Division may schedule an audit adjustment dispute hearing.

42.06 Compliance

(1) Adjustment of Medicaid Rate. If a hospital does not comply with the reporting requirements of 114.1 CMR 42.00, the hospital's Medicaid payment rate may be reduced. For non-acute hospitals, the Medicaid inpatient per diem will be reduced. For acute hospitals, the SPAD payment will be reduced. The Division will notify the Division of Medical Assistance to reduce the hospital's Medicaid payment rate in accordance with the terms of the hospital's contract with DMA to provide services to Medicaid patients.

(2) Calculation of Adjustment. If a hospital fails to comply with the Division's reporting requirements under 114.1 CMR 42.00, the hospital's rate may be reduced by 5%, effective on the day following the date the submission is due. The rate will be reduced by the same dollar amount for each month of non-compliance. This adjustment shall not, in any case, exceed 50% of the hospital's Medicaid payment rate. If a hospital has not submitted the complete documentation at the time the hospital's rate is subject to change (i.e., at the start of a new rate year, or upon commencement of an amendment that affects the SPAD rate), the hospital's new rate cannot exceed the adjusted current rate. If, however, the new SPAD rate is less than the rate currently in effect, then the new rate will become effective and potentially subject to further adjustment.

(3) Other Penalties. A hospital that makes a charge or accepts payment based upon a charge in excess of that filed with the Division or which fails to file any data, statistics, schedules, or other information pursuant to 114.1 CMR 42.00 or that files false information, shall be subject to a civil penalty of not more than $1000 for each day on which such violation occurs or continues, which penalty pursuant to M.G.L. chapter 118G, § 10. Such penalty shall be $1,000 for each day on which such violation occurs or continues, and may be assessed in an action brought on behalf of the Commonwealth in any court of competent jurisdiction. The Division may also request the Attorney General to bring an action, including injunctive relief, to enforce the provisions of 114.1 CMR 42.00.

42.07 Administrative Bulletins

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The Division may issue administrative bulletins from time to time to clarify or change reporting requirements under 114.1. CMR 42.00 including, but not limited to, changes in required data to remain current with accounting standards and practices, as well as new utilization statistics.

42.08: Severability

The provisions of 114.1 CMR 42.00 are hereby declared to be severable. If any such provisions or the application of such provisions to any hospital or circumstances shall be held to be invalid or unconstitutional, such invalidity shall not be construed to affect the validity or constitutionality of any of the remaining provisions of 114.1 CMR 42.00 or the application of such provisions to hospitals or circumstances other than those held invalid.

42.09: HURM Manual

The HURM Manual is incorporated into 114.1 CMR 42.00 and is appended hereto. The HURM
Manual will not be appended to distribution copies of 114.1 CMR 42.00 but will be posted on the Division's website at www.mass.gov/dhcfp.

REGULATORY AUTHORITY

114.1 CMR 42.00: M.G.L. 118G.